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FISCAL IMPACT STATEMENT

LS 6696

BILL NUMBER: SB 244

NOTE PREPARED: Apr 19, 2005

BILL AMENDED: Mar 31, 2005

SUBJECT: Design-Build Public Works Projects.

FIRST AUTHOR: Sen. Long

FIRST SPONSOR: Rep. Borror

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill authorizes a state agency, state educational institution, body corporate and politic created by statute, county, city, town, or township to enter into a design-build contract for the performance of a public works project. It establishes procedures for solicitation and award of a design-build contract. The bill requires a governing body to adopt resolutions related to design-build contracts at a public meeting for which public notice has been provided.

The bill also provides that each member of the technical review committee must certify that there is not a conflict of interest between the member and the design-builder responding to a request for proposals. It also specifies that if a conflict of interest exists, the member must be replaced before the review of any proposal.

The bill specifies that the notice of a request for qualifications must allow at least 30 days for potential design-builders to respond to the request. It requires a determination of the common construction wage to be made for a public project to be constructed under a design-build contract. It also requires a written determination by a public agency that a legitimate reason exists for the replacement of a person identified by the design-builder as a subcontractor with whom the design-builder proposes to subcontract.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill would allow public agencies to enter into design-build contracts. The specific impact of this bill on expenditures of public entities is an indeterminable savings. Since agencies *may* use design-build contracts, it is assumed they would only use them if the process would reduce the cost of the project.

Background Information: Design-build contracts involve design and construction services being provided to public agencies by a single entity. For descriptive purposes, the procedures involved with a design-build contract can be described as a three-phase process.

Phase One: In this phase, the public agency publishes a notice of a request for qualifications for a public works project. A technical review committee is then established to qualify potential design-builders for the project. The committee is required to evaluate a number of factors to qualify potential design-builders; including the builder's experience, bonding capacity, managerial resources, safety capacity, past performance, and ability to complete the work on time. Based on its evaluation of these and other factors, the committee then selects a small group of potential design-builders considered to be the most qualified.

Phase Two: In this phase, design criteria specific to the project are submitted to the selected potential design-builders. The group of potential design-builders addressing the design criterion is required to submit two proposals: a qualitative proposal and a price proposal. The price proposal is required to include the total cost of the project and a maximum cost the contract will not exceed.

Phase Three: In this final phase, the technical review committee scores each qualitative proposal. Next, after opening the sealed price proposals, the committee divides each offeror's price by the score of the qualitative proposal. The accepted proposal has the lowest adjusted price.

One of the advantages of design-build contracts can be a simplification of the design and construction process, and guaranteed costs. A disadvantage of a design-build contract can be that they may reduce an agency's input into the design process.

In past years, the Department of Administration, Public Works Division, has administered more than 1,000 design and construction projects annually, with an average annual estimated value in excess of \$70 M. If the design-build contracts saved 0.1% of construction cost, then the savings would be about \$70,000 annually

Explanation of State Revenues:

Explanation of Local Expenditures: The Department of Local Government Finance approved \$833.8 M of school construction projects in CY 2003. If the design-build contracts saved 0.1% of construction cost, then the savings would be about \$833,000. (See *Explanation of State Expenditures*.)

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

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